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Committee on Tungsten
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Geneva, 18 November 1991
Item 6 of the provisional agenda

CONSIDERATION OF PROJECT PROPOSALS BY GOVERNMENTS AND INDUSTRY WHICH COULD BE SUBMITTED FOR POSSIBLE FINANCING UNDER THE SECOND ACCOUNT OF THE COMMON FUND FOR COMMODITIES

Consideration of project proposals received by the UNCTAD secretariat

Note by the UNCTAD secretariat

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Clarity of recommendations	( )	( )	( )	( )	( )
Comprehensiveness of coverage	( )	( )	( )	( )	( )

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INTRODUCTION

1. The decision with regard to the project proposals which the Committee on Tungsten wishes to sponsor for possible financing through the Second Account of the Common Fund for Commodities belongs to the States members of the Committee. The purpose of this note is to provide some information which might be useful for the consideration of project proposals at the forthcoming session of the Committee on Tungsten. In this connexion, the note brings to the attention of the Committee the relevant documents on the procedures established by the governing bodies of the Common Fund regarding the use of the facilities available under its Second Account. It also attempts to assist the discussions of the Committee by highlighting the areas where further research and development work seems to be needed, taking into account relevant deliberations in the Committee and recent developments in the tungsten industry.

I. DESIGNATION OF THE COMMITTEE ON TUNGSTEN AS AN INTERNATIONAL COMMODITY BODY (ICB) OF THE COMMON FUND FOR COMMODITIES

2. At its twenty-second session (December 1990), the Committee on Tungsten decided to seek formally designation as an international commodity body (ICB) for the purpose of the Second Account of the Common Fund as provided for in article 7, paragraph 9, of the Agreement establishing the Common Fund for Commodities, and requested the Secretary-General of UNCTAD to transmit this decision to the Managing Director of the Common Fund for appropriate action by its Executive Board.1/

3. The Secretary-General of UNCTAD, in a letter dated 14 December 1990, transmitted the Committee's decision to the Managing Director of the Common Fund, and, in accordance with the procedures for submission of such applications adopted by the Governing Council of the Fund, attached the necessary declaration on the compatibility of the Committee on Tungsten with the eligibility criteria for ICBs laid down in Schedule C of the Agreement establishing the Common Fund for Commodities.

4. The Managing Director of the Common Fund, in a letter dated 21 February 1991, informed the Secretary-General that "the Executive Board of the Common Fund, at its Fifth Meeting held from 18 t0 20 February 1991, had decided to designate the UNCTAD Committee on Tungsten as an International Commodity Body (ICB) in accordance with article 7.9 of the Agreement Establishing the Common Fund". The Committee on Tungsten and the International Lead and Zinc Study Group are the first, and, at present, the only designated ICBs on minerals and metals. With regard to agricultural commodities, ICBs have been designated for: bananas; citrus fruit; cocoa; coffee; cotton; fish; hard fibres; hides and skins; jute; meat; natural rubber; oilseeds, oils and fats; olive oil; rice; sugar; tea; tropical timber; and wheat. As an ICB, the Committee on Tungsten is qualified to sponsor appropriate tungsten-related projects for possible financing through the Second Account of the Common Fund.

5. In a note dated 17 May 1991, the Secretary-General of UNCTAD informed the States members of the Committee of the above decision and requested them to forward their project proposals to the UNCTAD secretariat as soon as possible to enable the secretariat to reproduce and circulate them in time for consideration by the Committee at its twenty-third session. In order to assist Governments and industry in the preparation of such proposals, copies of the following relevant documents received from the Common Fund were attached to the Secretary-General's note:

- "Standard format for submission of project proposal (SFSPP) for financing through the Second Account of the Common Fund for Commodities" (Document No. CFC/EBM.4/3, undated).

- "Provisional guidelines and criteria for the selection and financing of projects through the Second Account of the Common Fund for Commodities" (Document No. CFC/EBM.4/5, undated).

- "Adoption of the regulations and rules for Second Account operations of the Common Fund for Commodities" (document CFC/GC.2/3, 20 July 1990).

- "Regulations and Rules for the Consultative Committee of the Common Fund for Commodities" (undated document No. CFC/EBM.4/2).

6. The first two documents listed above are attached as annexes I and II to this note. The above four documents, together with the Agreement establishing the Common Fund, provide the general framework in which the relationship of the Committee on Tungsten with the Second Account of the Common Fund will evolve.

7. Project proposals received by the secretariat in response to the above request are presented in addenda to the present document.

8. In order for the Committee on Tungsten to discharge its responsibilities properly and efficiently with regard to its new role as an ICB, it must determine its procedures for dealing with projects along each stage of the project cycle, including project identification, preparation, appraisal, submission, implementation and supervision, and evaluation upon completion. This is needed both for the consideration of the project proposals before the Committee and for its future activities.

9. In this connexion, it should be noted that the Common Fund convened at its headquarters in Amsterdam, on the 5 and 6 September 1991, a seminar on the operations of the Second Account, with the participation, inter alia, of the Executive Heads or representatives of the eligible ICBs designated by the Common Fund. The primary purpose of the seminar was to discuss with the ICBs the scope of the facilities offered by the Second Account as well as the procedures established by the governing bodies of the Fund regarding the use of these facilities by the ICBs. The Committee on Tungsten was represented by a member of the UNCTAD secretariat who will make an oral report on the above seminar at the twenty-third session of the Committee.

10. Section II below attempts to make some suggestions intended to assist the Committee in its consideration of this item.

II. CONSIDERATION OF PROJECT PROPOSALS

A. Measures eligible for Common Fund financing

11. Project proposals seeking Second Account financing should cover eligible "commodity development measures aimed at improving he structural conditions in markets and at enhancing the long-term competitiveness and prospects of particular commodities. Such measures shall include research and development, productivity improvements, marketing and measures designed to assist, as a rule by means of joint financing or through technical assistance, vertical diversification" (Article 18.3(a) of the Common Fund Agreement). The guidelines and criteria for the selection of projects adopted by the Executive Board of the Fund provide some broad indications about the way the latter intends to establish priorities among these various measures.[2/]

12. Among the above measures, research and development attracted the attention of the Committee, particularly during its recent sessions, as a promising area for producer-consumer co-operation in the years ahead. Section III below attempts to summarize past discussions within the Committee on theses issues.

B. Identification and elaboration of projects

13. All project proposals on tungsten intended to be submitted to the Common Fund must be channelled through, and endorsed by, the Committee on Tungsten. Such proposals may originate from the Committee itself or may be submitted to the Committee by a member or members or by an entity participating in the work of the Committee. Proposals originating from the industry must be presented by the respective member or members. Proposals may initially be made in the form of project ideas or profiles, and if favourably considered by the Committee, could then be further elaborated. It is expected, however, that project proposals would normally be submitted to the Committee in the standard format approved by the Common Fund.3/ Projects proposals should be addressed to the UNCTAD secretariat as early as possible before a session of the Committee, and in any case not later than 14 weeks before any session, in order to enable the secretariat to reproduce and circulate them in time for consideration by the Committee at its next session. In this regard, the Committee might consider including a recurrent item on its agenda on its work connected with the consideration, submission to the Common Fund, implementation, supervision and evaluation of projects and any related issues.

C. Appraisal and sponsorship of projects

14. The appraisal of a project is normally undertaken by the Common Fund, or at its request and on its behalf, by competent international or regional institutions or agencies or consultants specialized in the field under consideration, before it takes a decision regarding its financing. However, before it endorses a project proposal for financing by the Fund, the Committee on Tungsten is also required to make at least an appraisal of the technical aspects of the project and of the extent to which the proposal fits within a strategy or meets objectives commonly accepted by the tungsten industry. In reviewing project proposals before it, the Committee may,for example, look into the following aspects:

(a) The strengthening of project objectives, taking into account the needs of the tungsten industry;

(b) The merging of project proposals with broadly similar aims with a view to fostering co-operation;

(c) The consistency of results in terms of project objectives and resources availability;

(d) The technical feasibility of project proposals;

(e) The possibilities for co-financing and for co-operation, for example in making use of existing research and other infrastructural facilities available in other countries;

(f) Follow-up actions which may be required for project implementation, evaluation, and dissemination of results.

15. The Committee might itself undertake this task, or it might, for this purpose, establish a group of experts meeting during the session of the Committee or at any other time, or rely on the services of competent independant consultants.4/ The Committee would have also to ensure that the projet proposal is finalized and presented in the format prescribed by the Common Fund. Once the Committee decides to sponsor a project, it would request the Secretary-General of UNCTAD to submit it on its behalf to the Fund

and, if necessary, to negotiate the Project Agreement which would have to be approved by the Committee before it may be signed by the Secretary-General.5/

16. The parties to the Project Agreement would normally be the Common Fund, the Committee (represented by the Secretary-General of UNCTAD) and/or the Project Executing Agency or a member or members designated by the Committee to be the recipient(s) of the grants or loans sought from the Fund. If the Committee itself intends to be the Project Executing Agency and the direct recipient of financial assistance from the Fund, it should be stressed that only grants could be involved since the Committee and its representatives are not empowered to enter into any loan agreement.6/

D. Supervision and evaluation of projects

17. When submitting a project proposal to the Fund, the Committee would have also to designate the supervisory body for the project or declare that it will itself undertake this responsibility. As the supervisory body for a project, the Committee on Tungsten will supervise and monitor the implementation of the project by the Project Executing Agency on the basis of progress reports received from the Agency. The correspondence between the schedule of these progress reports (which might be on a quarterly basis) and the meetings of the Committee (which meets only once a year) might pose some problems. In this regard, attention should be drawn to the fact that the project may face difficulties which would require an urgent decision by the supervisory body at a time when the Committee is not meeting or not scheduled to meet within a reasonable period. This would be particularly the case if unexpected implementation problems arise which necessitate substantial and urgent adjustments of the project. Arrangements will have to be made for such circumstances. The Committee will also provide the forum for discussions relating to the future development of the project. On the completion of the project, the Committee will consider and approve the completion report of the Project Executing Agency before its submission to the Common Fund. It will also have to participate in the final evaluation of the project. It should be noted that the Committee might designate another entity to be the supervisory body for the project, while negotiating an appropriate role for itself through the project agreement.

III. RESEARCH AND DEVELOPMENT ISSUES

18. During the late 1970s and the beginning of the 1980s, when the market faced high tungsten prices, the concern was about the future supply of tungsten, the development of new mine capacities, the improvement of processing techniques with a view to reducing tungsten consumption, and the ways and means to cope with the instability in the tungsten market. The market situation for tungsten changed greatly in the 1980s, and became characterized by declining demand, oversupply of materials and falling tungsten prices. The tungsten industry began to realise that greater research and development efforts for the promotion of tungsten consumption were needed and that the relative neglect of such efforts has negatively affected the competitiveness of tungsten vis-à-vis a number of other industrial materials.

19. Recent studies show that few substantial new uses have been found for tungsten over the past decade, although opportunities are thought to exist in a number of areas. These opportunities have not been tapped for a number of reasons, including the lack of commercial backing for basic research and development efforts, and the fact that research and development funds have

usually been available for the improvement of downstream products rather than for promoting the demand for tungsten itself. Meanwhile, it was estimated that the recent progress in industrial techniques, including tool coating, improved tool geometry, downsizing and near-net-shape techniques, and the increased use of non-metallic and composite materials in industry had led to a reduction in tungsten consumption of 2,500-3,000 metric tons per year between 1980 and 1986.7/

20. The revival of interest in research and development for the promotion of tungsten demand may be attributed, at least partly, to the Primary Tungsten Association (PTA), which was established for promoting co-operation among producers.8/ In the face of collapsing market prices and the need to develop new markets for tungsten, the issues of international co-operation in research and development were brought up in the discussions at the Association's Third International Tungsten Symposium held in Madrid in 1985. These discussions focused on the need to establish a practical and cost-effective tungsten research organization with the objective to initiate, promote, co-ordinate and conduct research and development for new applications of tungsten, which would benefit producers, consumers and governments alike.

21. However, few concrete steps resulted from the discussions, largely because of the problem of funding at a time when many producers were facing the prospects of mine closure. Nevertheless, the efforts made by the Primary Tungsten Association have not been in vain, as they contributed at least in some way to a better awareness of the need for research and development efforts as well as of the prospects for promoting tungsten demand through such efforts. Given the current interest for research and development in the tungsten industry, it is also understood that, on the basis of the results of PTA work,9/ some project ideas could be proposed by the International Tungsten Industry Association (ITIA) for consideration by Governments and industry in the Committee.10/

22. The PTA discussions also contributed to drawing the Committee itself into addressing research and development issues. The recent discussions on research and development in the Committee largely reflect the concern at the deteriorating situation in the tungsten market, characterized by weak prices, decreased consumption, both short and long-term demand inelasticities and over-abundant supplies of material. A major factor to which this situation has been attributed is the research and development which has brought about the recent structural and technological change - largely regarded as anti-tungsten - in industry. It is felt that the Committee could play a major role in making research and development efforts more congenial to tungsten.

23. At its eighteenth session, the Committee gave a new impetus to research and development in its work. Responding to the findings made in a number of analytical studies covering such areas as scrap recycling, substitution and the reduced tungsten usage due to the advent of new industrial technologies, the Committee agreed to pursue further the analysis of the major factors which had affected the tungsten market. It requested11/ that the documentation for the nineteenth session include a study which would examine structural and technological change, particularly in the area of substitution and reduced use of tungsten, including related research and development and market promotion.12/

24. More recently, while seeking to be designated as an ICB by the Common Fund, the Committee requested the secretariat to conduct a review of existing research and development programmes to promote new applications for tungsten and a survey of industry and government views on the need for additional

programmes.[13] This was a particularly appropriate preliminary step to be undertaken, with a view to identifying the main gaps in the research and development work conducted at both national and international levels, whether by government or industry, and, hence those areas where new projects would be required. This is particularly useful for convincing the management of the Fund that the projects being submitted by the Committee respond to actual needs and constitute an important part of an overall strategy for tungsten.

25. The survey conducted by the secretariat[14] led to useful findings on such aspects as the nature and size of on-going research and development programmes or projects, the companies or research institutes involved, the possibilities that exist for international co-operation, the applications where prospects for new end-uses exist for tungsten, and the areas where further research and development work is needed. Such details provide the type of information which is relevant for assessing the needs for research and development in the tungsten industry and the usefulness of the project proposals being considered for submission to the Common Fund.

26. The areas in which project proposals may be formulated could be classified in three categories, namely: research and development relating to mining and beneficiation methods; production technologies for intermediate products; and the development of new applications in the end-use sectors for tungsten. The needs for research and development vary considerably among these three categories. However, whatever the category, research and development efforts are expected in one way or another to benefit, with perhaps some exceptions, the whole tungsten industry, by increasing the competitiveness of, and the demand for, tungsten, although the benefits accrued are seldom evenly distributed throughout the industry. Among the exceptions are mining projects which seek funds purely for increasing the supply of tungsten at a time when there is an over-abundant supply of tungsten materials. But it cannot be denied that many mining projects can be formulated with objectives other than that of purely increasing tungsten supply.

27. It may be further noted that the inadequacy of research and development funds suffered by the tungsten industry is felt differently from category to category. The effect of depressed tungsten prices on the availability of such funds appears to have been borne most acutely by ning operations and by developing producing countries.

A. Mining and beneficiation

28. In the case of research and development concerning mining and beneficiation methods, the immediate beneficiaries are mining operations. The benefits would spread, ceteris paribus, to mining operations in both producing and consuming countries where the research and development projects are of a general character. However, tungsten deposits occur over wide geographical areas and possess different characteristics both by composition and structure. In this case, research and development efforts are more deposit-specific, which obviously limits the number of beneficiaries.

29. The research and development conducted at the mining level can have several aims, including improving product marketability, increasing productivity, reducing production costs and developing or strengthening treatment techniques for dealing with impurities. Some research and development projects concerned with the problems of mining and beneficiation methods are conducted in the developing countries, but the recent sharp falls in tungsten prices have greatly reduced their numbers. Most such research and development projects that are still being pursued are found either in the

consuming countries or in producing countries that have a relatively diversified and integrated tungsten industry. There seems to be scope for designing research and development projects in the area of mining, which could benefit the developing countries in particular. Research and development opportunities exist, for example, in respect of productivity improvements, cost reduction, environment protection and technical innovation for ore treatment.

B. Intermediate products

30. Research and development efforts concerning intermediate products are usually pursued by the tungsten powder companies which process tungsten concentrates into various powders. This type of research and development used to depend mainly on the consuming countries. However, following the recent diversification of their tungsten industry which currently processes substantial quantities of their tungsten into powders and tungsten products, China and the Republic of Korea are also conducting considerable research and development efforts. With a view to improving the quality and competitiveness of their products, these countries have established their own research and development facilities. The inadequacy of resources still considerably limits the efforts of these countries in some significant areas of research and development.

31. Tungsten is often described as a versatile material which finds its use in many industrial applications. If this versatility were to be strengthened, the best part of the research and development efforts would need perhaps to be devoted to the area of tungsten powders. Most of tungsten is at present consumed, in one way or another, in the form of powder, particularly carbide powders, which account for more than half of tungsten consumption. There is currently considerable research and development interest in tungsten powders regarding their sintering and alloying characteristics and in the research and development for developing new powder grades which improve their physical and chemical properties.

32. The possibility of developing new powder grades offers probably some of the best research and development prospects for increasing tungsten demand, both by strengthening its competitiveness against substitute materials and by developing new uses. However, projects for such research and development do not always receive the necessary financial backing. Co-operation is also not forthcoming in many areas of powder development because of the secretive nature of such research and development work.

33. There are many possible project proposals which could be developed for consideration to benefit intermediate products. In this area, the research and development possibilities know virtually no bound since the main concern of this type of research and development is to improve the characteristics of the material, including its purity, its micro-structure, its heat resistance and its alloyable ability with other materials to form new products.

C. End-uses

34. Among those involved in research and development in the area of end-uses are companies dealing with products such as cutting tools, wear parts, bulb filaments, and engineering, aeronautic and electronic parts. The research and development conducted or financed by the end-use industries is usually more concerned with the productivity performance and the technical efficiency of the product rather than with increasing the use of tungsten.[15/] Consequently, it may actually have a negative effect on the demand for tungsten.

35. Research and development at the end-use level appears to be price-sensitive, although it need not necessarily always be so. It seems to have accelerated the substitution of other materials for tungsten during periods of rising prices, such as during the late 1970s and at the beginning of the 1980s. The situation has since been reversed with the recent declines of tungsten prices. However, despite low tungsten prices, tungsten appears to be slow to recover the ground lost to other materials. One reason put forward to explain the difficulty of tungsten to recover lost ground is the relative neglect of linking basic research and development to develop new grades of tungsten materials and the applied research and development pursued for their application in industry at the end-use level. This link is perhaps an area where project proposals could be useful, particularly those aimed at strengthening the supportive links between research and development for improving powder grades and applied research and development for improving end-use products.

Notes

1/ See Report of the Committee on Tungsten on its twenty-second session, TD/B/C.1/TUNGSTEN/87, paragraph 64. The initiative to seek designation of the Committee as an ICB was taken by Brazil at the twenty-first session of the Committee (see Report of the Committee on Tungsten on its twenty-first session, TD/B/C.1/TUNGSTEN/82, paragraph 58).

2/ See CFC/EBM.4/5 referred to above.

3/ See CFC/EBM.4/3 referred to above.

4/ This would have financial implications on which the views of the secretariat would have to be sought.

5/ This might raise legal issues on which the views of the Legal Counsel of the United Nations would have to be sought.

6/ Idem.

7/ Cf. TD/B/C.1/TUNGSTEN/76, paragraph 28.

8/ See Proceedings of the Third International Tungsten Symposium Madrid, May 1985, pages 230-231.

9/ The Primary Tungsten Association has been succeeded by the International Tungsten Industry Association. The latter Association, which has a broader membership, has taken over most of the PTA functions.

10/ See Report of the Committee on Tungsten on its twenty-second session, TD/B/C.1/TUNGSTEN/87, paragraph 55.

11/ See Report of the Committee on Tungsten on its eighteenth session, TD/B/C.1/TUNGSTEN/66, paragraph 57.

12/ The study was submitted to the Committee as document TD/B/C.1/TUNGSTEN/71.

13/ See Report of the Committee on Tungsten on its twentieth session, TD/B/C.1/TUNGSTEN/78, paragraph 38.

14/ The survey and review of research and development programmes was submitted to the Committe at its twenty-second session (see TD/B/C.1/TUNGSTEN/86).

15/ A good illustration of this situation is provided by tool-making, which is referred to in TD/B/C.1/TUNGSTEN/71 (op. cit.), paragraph 57.

Annex I

PROVISIONAL GUIDELINES AND CRITERIA FOR THE SELECTION AND FINANCING OF PROJECTS THROUGH THE SECOND ACCOUNT OF THE COMMON FUND FOR COMMODITIES

(Document No. CFC/EBM.4/5)

COMMON FUND FOR COMMODITIES

AMSTERDAM

PROVISIONAL GUIDELINES AND CRITERIA FOR THE DETERMINATION OF PRIORITIES OF PROJECTS FOR FINANCING THROUGH THE SECOND ACCOUNT

Pending the adoption of guidelines and criteria in conformity with regulation II.3 of the Regulations and Rules for Second Account Operations, the Fund will base its considerations regarding priorities of project proposals for financing through the Second Account on the following provisional guidelines and criteria which may be further developed and adjusted taking into account the advice of the Consultative Committee and in the light of the experience of the Fund.

Eligibility

Only measures which are eligible for financing through the Second Account under the terms of the Agreement and which are presented to the Fund in accordance with the provisions of the Regulations and Rules for Second Account Operations shall be considered for financing through the Second Account.

Priorities

1.1 Proposed measures shall be prioritized in the light of particular circumstances characterizing each commodity, and the economic and financial situation in developing producing countries including their debt problems.

1.2 Bearing in mind the principles laid down in article 18.3 (m) and (n), due emphasis shall in this regard be given to commodities of interest to the least developed countries. Due emphasis shall also be given to commodities of interest to developing countries, particularly those of small producers-exporters.

1.3 Due emphasis shall further be given to the expected impact of proposed measures on the development of those countries.

2.1 Due emphasis shall be given to measures which are likely to improve the socio-economic conditions and/or protect the environment in developing producing countries.

2.2 In the context of improving the socio-economic conditions in developing producing countries, the Fund may give special attention to projects which may lead to an improvement of the quality of life of workers and smallholders engaged in production, transport and processing of commodities as well as to the development of their skills and abilities.

2.3 In this regard, the Fund shall, wherever possible, seek to contribute to the enhancement of commonly agreed policies of the United Nations and its specialized agencies in fields such as health, education, food security and environment. Regional or national programmes with similar or identical objectives shall likewise be taken into account.

3.1 In selecting projects for financing through the Second Account, the Fund shall encourage consistency regarding efforts undertaken at the international level in the field of commodities.

3.2 The Fund may give special attention to project proposals developed by an ICB as an important part of an overall strategy for the commodity in question.

4.1 The Fund may give special attention to measures including technical assistance projects aimed at improved management and better utilization of commodity resources.

4.2 The Fund may also give special attention to measures including feasibility studies and other technical assistance projects aimed at providing a basis for increased local processing of commodities in developing producing countries.

5.1 The Fund may give special consideration to measures aimed at strengthening the competitive position of commodities facing difficulties such as a falling market share in competition with synthetic substitutes and a declining trend in real term export earnings resulting from structural changes in their markets.

6.1 Among projects of a comparable nature, priority shall be given to those where the finance provided by the Fund would yield significant benefits to a number of developing producing countries with a large part of their population depending on the commodity in question.

Annex II

STANDARD FORMAT FOR SUBMISSION OF PROJECT PROPOSAL (SFSPP)

FOR FINANCING THROUGH THE SECOND ACCOUNT

OF THE COMMON FUND FOR COMMODITIES

(Document No. CFC/EBM.4/3)

COMMON FUND FOR COMMODITIES

AMSTERDAM

I. STANDARD FORMAT FOR SUBMISSION OF PROJECT PROPOSALS FOR FINANCING THROUGH THE SECOND ACCOUNT

The .....
(name of sponsoring ICB) hereby submits the following project proposal with its recommendation for financing through the Second Account of the Common Fund.

TITLE OF THE PROJECT:

DURATION:

LOCATION:

NATURE:

TOTAL COST:

FINANCING SOUGHT FROM THE FUND:

CO-FINANCING SOUGHT:

CO-FINANCING COMMITTED:

COUNTERPART CONTRIBUTION(S):

- IN KIND:
- IN CASH:

PROJECT EXECUTING AGENCY:

ESTIMATED STARTING DATE:

II. PROJECT SUBMISSION

A. Project description:

- An explanation of the background and the context in which the project has been prepared. The structural conditions in production and/or the commodity market relevant to the implementation of the project. Strategies applied by the ICB concerned and other efforts undertaken at the international level in similar or related fields.

- A description of the main components of the project;

  (i) Overall Objectives;

  (ii) the strategy and target beneficiaries;

  (iii) the expected situation at the end of the project;

  (iv) implementation arrangements made.

B. Project justification:

(a) Result of economic and financial appraisal and expected economic and financial rates of return;

(b) Results of technical appraisal of the Project including pre-feasibility or feasibility studies;

(c) Environmental aspects - major beneficial and detrimental effects;

(d) Socio-economic and developmental aspects;

(e) Conformity with the Common Fund's objectives, priorities and policy guidelines.

C. Objectives:

State each objective as a separate sub-heading accompanied by the outputs and the activities envisaged in the following manner:

Objective 1.
.....
.....
.....

1.1. Output 1.
.....
.....
.....

1.1.1. Activity 1.
.....
.....
.....

1.1.2. Activity 2.
.....
.....
.....

1.2. Output 2.
.....
.....
.....

1.2.1. Activity 1.
.....
.....
.....

1.2.2. Activity 2.
.....
.....
.....

2. Objective 2.
.....
.....
.....

2.1. Output 1.
.....
.....
.....

2.1.1. Activity 1.
.....
.....
.....
etc.

D. Inputs:

E. Risks:

F. The project budget:

(a) Project income and source:

Loans:

Grants (in cash):

Grants (in kind):

Project financing sought from CFC:

(b) Project cost:

The budgetted cost of the project shall be indicated under the main headings below and shall be broken down in sufficient detail to enable a comparison with the inputs listed under D above.

	Amount in SDR	Period required (year / month)
1. Personnel		
2. Administration		
3. Official travel		
4. Contracts and services		
5. Equipment		
6. Other expenses		
Grand Total		
7. Contingency		
TOTAL REQUIREMENT		

G. Provisional work plan:

H. Project Management:

Project Executing Agency (or Project Manager):

The sponsoring ICB is willing and able to assume responsibility as a Supervisory Body for the project without charge:

YES |___| NO |___|

If not, give alternative proposal:

I. Project monitoring, reporting and evaluation:

J. Annexes:

ON BEHALF OF	NAME/TITLE	SIGNATURE	DATE
(THE ICB)	.....	.....	.....

ANNOTATED STANDARD FORMAT FOR SUBMISSION OF PROJECT PROPOSALS FOR FINANCING THROUGH THE SECOND ACCOUNT

1. The cover page:

The cover page of the Standard Format for Submission of Project Proposals (S.F.S.P.P.) is intended to provide a birds eye view of the proposed project. The information given should, thus, be as precise and as brief as possible. A line-by-line instruction for its completion is given below.

1.01. The full name of the sponsoring International Commodity Body (ICB), designated by the Common Fund, should be filled in the space provided with the full commitment to recommending the project for financing by the Common Fund through its Second Account.

1.02. Title of the project: For purposes of computer-processing, space utilization and for easy reference, the title of the project should be brief. The title should, however, present maximum information about the project's objective and function.

1.03. Duration: The duration of the project should indicate the time needed from the start of the project to its completion. Duration of the project should be stated in words, as for example, three years and four months.

1.04. Location: Indicate the project site(s), the area(s) to be covered by the project activities and the country(ies) involved.

1.05. Nature: The nature of the project's activity, for example, whether it is productivity improvement, quality improvement, processing or market promotion etc., or a combination of these, should be specified.

1.06. Total Cost: The total cost of the project, emanating from the project budget, should be given in Special Drawing Rights (SDR), in round figures.

1.07. Financing: A breakdown of the amount sought from the Common Fund itself, co-financing being sought from other sources and co-financing already committed by some other donors for the project should be indicated.

1.08. Counterpart Contribution(s): Contribution(s) to be made by the sponsoring ICB and/or by its Member or Members or by an agency thereof, either in cash or in kind, should be given in breakdowns of cash and/or in kind, valued in local currency.

1.09. Estimated Starting Date: Indicate the (expected) starting date for the implementation of the activities of the project. Indicate if there are particular time constraints on the implementation of the project, for example, if certain resources required for the project can only be made available within specific time limits.

2. Main body of the Project submission (SFSPP):

This part is expected to explain succinctly the context in which the project has been conceived, the major characteristics of the development setting in which the project will operate, the profiles of the project in terms of its objectives, its itemized as well as overall costs and the expected benefits at the end of the project including its target beneficiaries; economic, financial social and physical justifications of the project as well as implementation arrangements made. A chapter-by-chapter guidance for the completion of the items is given below:

A. Project Description: This section should provide:

(a) an explanation of the background and the context in which the project has been planned, the structural conditions in production and/or the market of the commodity concerned in relation to the implementation of the project. The strategy of the ICB to improve the structural conditions and competitiveness of the commodity and how the project fits in this strategy or to a programme related to it;

(b) a description of the main components of the project, its cost, overall objectives, the strategy and its target beneficiaries, the expected situation at the end of the project and implementation arrangements made; among others.

B. Project Justification: The project's economic, financial, social and environmental justifications and its relevance to the mandate of the Common Fund must be stated in the following order:

(a) Results of economic and financial appraisal and expected economic and financial rates of return;

(b) Results of technical appraisal of the project including pre-feasibility or feasibility studies;

(c) Environmental Impact: The project may have as a principal secondary objective to protect environmental conditions in connection with the production and utilization of the commodity concerned. It is also possible that some of the measures included in the project may entail side effects or risks which could be detrimental to the environment. Such effects may be judged insignificant in the overall perspective of the project or ways may have been found to overcome or reduce environmental risks. The entry under this heading should briefly state that the issue has been considered and the outcome thereof, as being for example, "environmentally neutral", "environmental improvements expected" or "possible environmental risks not significant". Further information may be provided on a separate paper which can be annexed to the SFSPP, especially concerning results of environmental risk/benefit assessment by experts.

(d) Socio-economic and developmental aspects of the project: Provide a succinct statement of the developmental benefits identifying the receipts and assessing the impact of the project. For example, "human resources development in X country", or "improved working conditions and social wellbeing of smallholders in Z country". A description of the expected developmental benefits should be given in connection with the description of the project's objectives under C below and further clarification may be given in an Annex to the SFSPP.

(e) Relevance to the Common Fund's objectives, priorities and policies;

C. Objectives: The project may have an overall objective such as raising the productivity in certain producing regions. It may also have partial objectives, which together contribute to the overall objective. Partial objectives may, for instance, be reducing waste in the production

process and/or improving the quality of management of production facilities. The objectives define what the project is expected to achieve. They constitute the key to the project structure and define the outputs to be sought from the different activities included in the project. An accurate description of both, overall and partial objectives, is, therefore, essential in order to achieve an optimal design on implementation of the project. Each objective should be stated as a separate sub-heading accompanied by the outputs and the activities envisaged in order to achieve the objectives.

D. Inputs: The totality of inputs - equipment, supplies, personnel, etc. - required to carry out the project's activities or to produce the specified outputs should be listed by type, quantity and quality as well as by source, i.e., the Fund/Project Executing Agency, co-financer, counterpart contribution or any other source.

E. Risks: A statement of the main potential causes which may delay or prevent the achievement of a project's outputs and objectives and pre-emptive or remedial measures envisaged to deal with them. These risk factors should not be such as those which would necessitate correction by redesigning the project; but rather those which, at the time of the formulation of the project may not be great enough to be fully taken into account of, but which could grow over time to cause delay or prevent the achievement of the project's objectives and targets. Only those which have some probability of occuring and with significant impact on the project implementation should be listed.

F. The Project Budget

(a) Project income: A detailed breakdown of the project income by origin, the method of financing whether loan, grant or any other form, contributions in cash and/or in kind and the part sought from the Common Fund.

(b) Project cost: The listed requirements represent the necessary minimum of information to be included in the project proposal. This does not prevent the use of more comprehensive project budget formats, notably the format used by UNDP.

The Fund may, in any case, require more detailed budgetary information to be included in the project agreement, in case the project is approved for financing. The project budget, at this stage, should reflect the best estimate of expenses to be incurred by the project in the individual budget lines based on realistic assumptions and cost-effective management principles with reasonable contingency provisions made to cover unforeseen price increases. The project budget should be expressed in units of account (SDR). Estimates of expenditures which may be paid in non-convertible currencies may also be included.

(i) Personnel: Each post shall be given its own budget line. Cost may be specified as "salary" and "other cost".

(ii) Administration: This section covers costs relating to management, project overheads and shared use of facilities at the Project Executing Agency as well as the writing of reports by the Project Executing Agency. Administrative cost to be incurred by the Supervisory Body, if any, shall be listed separately.

(iii) Official travel: This section covers all travel expenses incurred as part of the project but excluding travel for recruitement purposes which should be listed as personnel cost.

(iv) Contracts and services: This section covers construction and service contracts concluded with third parties as part of implementing the project.

(v) Equipment: All equipment procured for the purpose of the project should be listed. The budget should list separately equipment provided for the project which is expected to have a residual value of more than US$ 400 per unit after completion of the project.

(vi) Other expenses: This section may include maintenance and repair cost and other expenses (which must be specified) not falling within previous headings.

(vii) Contingency: This section is supposed to cover price and/or salary increases as well as currency fluctuations.

G. Provisional work plan: A provisional work plan (graphical or otherwise) showing the timing and interrelationships of the main elements of the project should be submitted. A more detailed work plan showing a more precise timing of activities of the project and the interrelationships of project elements and the assignments of experts and other inputs to various tasks would be required before the onset of the Project Agreement.

H. Project Management: A Project Executing Agency or Project Manager responsible for carrying out the project in accordance with the Project Agreement should be nominated and the Fund shall assure itself that the nominated manager/Agency has the experience and the capacity to carry out the functions ascribed to it and that he is not subject to conflicting interest in terms of carrying out the project in the most efficient and purposeful manner. To this end a description of the Project Executing Agency may, if it is not a commonly known institution, be annexed to the SFSPP.

A desription of the proposed methods of supervision, monitoring and evaluation, including the proposed schedule of reports to the Fund should be given.

The ICB which is sponsoring the project should also indicate its willingness and ability to assume responsibility as a Supervisory Body for the implementation of the project without charge. If for any subjective or objective reasons it cannot assume such a responsibility, it should provide alternative proposals.

I. Project monitoring, reporting and evaluation: An ICB which accepts to function as the Supervisory Body for the project, may indicate the method and frequency of reporting it will require from the Project Executing Agency in order to carry out its supervisory, monitoring and evaluating role with respect to the project. A description of the proposed method of supervision, monitoring and evaluation, including the proposed schedule of reports to the Fund by the Supervisory Body and by the Project Executing Agency should be given. If the cost of such activities are to be charged to the project, they must be included in the project budget.

J. Annexes: Any other information of essence and/or of detail required, such as schedule of project reviews, reporting and evaluation, training programme, equipment requirement and specifications, job descriptions of consultants and other experts, terms of reference of studies etc. may be annexed as necessary.

Signature: The application must be signed on behalf of the ICB by a person authorized to do so. Signature on behalf of the Project Executing Agency is optional (but the PEA will, if the project is approved, be required to sign the Project Agreement).